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1939/40

ANNUAL REPORT

of the

LANSTON MONOTYPE MACHINE COMPANY

FOR THE FISCAL YEAR ENDED

FEBRUARY 29, 1940

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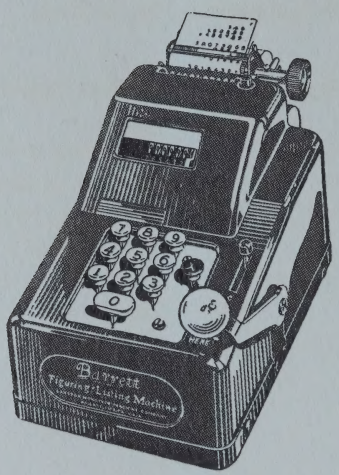

NEW MODEL BARRETT FIGURING-LISTING MACHINES

Monotype manufactures and sells different models of hand and electric Portable Barrett Adding and Listing Machines for business, professional and personal use. These machines add, subtract, multiply and divide. The new Finger-Tip Operation feature reduces hand movement by one-third. Designed by Monotype engineers, built in the Monotype factory and sold at low prices, they are efficient in operation, long-wearing, unusually free from mechanical troubles and are typical examples of the high quality of workmanship characteristic of all Monotype products. The Management recommends to our stock-holders the use of Barrett Machines. We will be glad to furnish full information, descriptive folders and prices upon request.

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Lanston Monotype Machine Company

Philadelphia, Pa., U.S.A.

J. THILMAN HENDRICK, *Chairman of Board*
HARVEY D. BEST, *President*

T. FRANK MORGAN, *Executive Vice-President*
JOHN J. MEADTH, *Vice-President*
JOHN A. FERGUSON, *Secretary*
ALLEN R. FRETZ, *Assistant Secretary*
WILFRED BANCROFT, *Treasurer and General Manager*
HARVEY W. MONKS, *Assistant Treasurer*
A. E. PAGOLA, *Vice-President, Export Department*
FRANK J. RODERICK, *Vice-President, Barrett Division*

DIRECTORS

Harvey D. Best
John W. Drye, Jr.
Robert V. Fleming
J. Thilman Hendrick
Dr. John Oliver La Gorce
Adrian H. Larkin
Royal T. McKenna
Henry Parsons
Roger J. Whiteford

*

DISTRICT OFFICES AND MANAGERS

CHICAGO
James H. Sweeney, *Manager*
216 W. Jackson Blvd.

NEW YORK
Richard Beresford, *Manager*
202 E. 44th Street

PHILADELPHIA
Stanley E. Haigh, *Manager*
24th at Locust Street

BOSTON
Halton M. Erne, *Manager*
170 Summer Street

ATLANTA
G. Walter Lieb, *Manager*
116 Spring Street, N. W.

MONOTYPE COMPANY OF CALIFORNIA

Dave O'Brien, *President*
Frank A. Ames, *Secretary and Treasurer*
Jackson Building, 156 Second Street, San Francisco

MONOTYPE COMPANY OF CANADA LIMITED

John J. Meadth, *President*
H. E. Mounstephen, *General Manager*
V. Parish, *Secretary-Treasurer*
34 Adelaide Street W., Toronto, Ontario

COMPANHIA LANSTON DO BRASIL, S.A.

A. E. Pagola, *President*
M. Mirabet, *General Manager*
Rua dos Arcos, No. 3, Rio de Janeiro, Brasil, S. A.

EXPORT DEPARTMENT

A. E. Pagola, *Vice-President, General Manager*
Victor Pagola, *Assistant Manager*

BARRETT ADDING MACHINE DIVISION

Frank J. Roderick, *Vice-President, General Manager*
Marcy F. Roderick, *Assistant to Vice-President*

*

George H. Carter, *Assistant to President*
M. C. Indahl, *Mechanical Engineer*
C. E. Moldrup, *Factory Manager*
H. L. Walker, *Assistant Mechanical Engineer*
Sol Hess, *Art Director*
Frederic W. Goudy, *Typographic Counsel*
Frank M. Sherman, *Director of Publicity*
J. I. Kitchin, *Purchasing Agent*
William C. Huebner, *Technical Engineering Counsel for Photo-Mechanical Equipments*

AUG 25 1948 g. Business records lib. 1939/40, v. 51-54, 1943/44-1946/47 and 5,

Operations Report and Balance Sheet of Lanston Monotype Machine Company for fiscal year ended February 29, 1940 approved by Board of Directors and presented to Stockholders at Annual Meeting at Alexandria, Va., May 2, 1940

*

As shown in the appended report of the Treasurer, net consolidated earnings of the parent company and its subsidiaries, after taxes, plant depreciation, patent amortization, inventory adjustments and the setting up of reserves to cover exchange losses, bad debts, etc., were $44,967.74.

Companhia Lanston do Brasil, S. A. and Monotype Company of Canada Limited, market in the money of the respective countries. Because of falling value of the milrei during the year, Companhia Lanston on converting its receivables and assets into United States dollars suffered an exchange loss equivalent, at the exchange rate as of February 29, 1940, to $10,339.72. Canadian exchange loss, after conversion of all receivables into United States dollars as of February 29, 1940, was $14,869.82. Both of these companies made satisfactory gains in sales volume.

Companhia Lanston operates ten machines of Monotype manufacture for casting type, leads, slugs and rules. These products are marketed direct in Rio de Janeiro and Sao Paulo and by agents in cities of importance throughout all Brazil. They also have exclusive marketing licenses in Brazil for several lines of American-made printing machinery.

The Monotype Corporation Limited of England for its year ended September 30, 1939, had substantial earnings. Due to lower dollar value of the English pound, our investment in that company suffered a loss in market value of $62,600.00, bringing this investment below its original cost. The Corporation is in splendid financial condition and dividends were paid for the year at the rate of eight percent. The factory is now operating to full capacity on government orders.

Because of the loss of export business resulting from the prohibition of imports of printing machinery and office equipment by countries engaged in war, and neutral countries affected by the war, our factory has been compelled to operate for the larger part of the year on reduced working time. This has resulted in an increase in manufacturing cost. To meet this condition we have established economies in management and modest adjustment in selling prices, along with more vigorous selling effort. In our photo-mechanical equipments and adding machines there is of course higher cost of manufacture on items of new design or of improved design until standard manufacture and complete tooling can be established. Many of these items have been marketed at a loss and such losses have been absorbed within the fiscal year.

During the fiscal year the Company expended for patent and improvement accounts a total of $117,363.66. If industry is to endure, management must operate not only with a view to current earnings, but also with a view to insuring earnings in coming years. In many years large expenditures must be made to insure the continuity of the

business, and these expenditures rarely show any profit in the current year. They are made in the hope of showing profit in future years. This is equally true in respect to plant improvement and other capital outlays, including research for the purpose of developing new products and new uses for existing products.

While current sales are important, there is the need for constantly keeping in mind steps which will help to maintain future sales volume and keep down current manufacturing and selling costs. It has been the policy of our Company through the depression years to maintain expenditures for these purposes.

During the year our Engineering Department completed the building of model machines of entirely new design of Monotype Composing-Casting Machine and Keyboard. These machines are the result of many years of engineering effort to increase the usefulness of Monotype equipment to the printing industry. The new models have now had comprehensive operating tests and we are going ahead with active tool designing and tool making preparatory to factory production. These new machines will not replace present standard models, but do afford for a large percentage of typesetting not only speed of production, but also efficiency and flexibility far beyond the present models.

Also during the year we have engineered from designs prepared by Mr. William C. Huebner, our Technical Engineering Counsel for Photo-Mechanical Equipments, an entirely new method of direct projection on the Monotype-Huebner Overhead Suspension Camera. This equipment (made possible by the new General Electric Mercury Vapor Lamp) is used in the production of printing plates for billboard posters. A number of these machines have been sold and are producing poster work of a quality not heretofore obtainable.

Plans have been completed for the application of motor drive to the new 10-Key Barrett Adding, Listing and Calculating Machines. These models for hand operation have already met with favor in the domestic market, but foreign sales of all Barrett models have been practically wiped out because of existing war and exchange conditions.

At the National Graphic Arts Exposition held in Grand Central Palace in New York, from September 25 to October 7, 1939, the Company exhibited all of its Monotype and Photo-Mechanical Equipments.

More than twenty thousand proprietors of letterpress and lithographic printing plants, and more than six thousand superintendents of these plants, attended this Exposition. Resulting from the Exposition, new Monotype products have become more generally and favorably known to the Graphic Arts Industry.

I am glad to be able to report that our continued operation under collective bargaining contracts with A. F. of L. Unions of machinists and office workers has been mutually satisfactory as between management and employees and that these contracts have been renewed for the current year.

Respectfully submitted,

Alexandria, Va., May 2, 1940.

HARVEY D. BEST, *President*

Consolidated Balance Sheet Lanston Monotype Machine Company and its Wholly Owned Subsidiaries . . . . . as at February 29, 1940

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS			
Cash—Domestic	$ 631,339.87		
Foreign	37,388.20	$ 668,728.07	
Accounts Receivable (Trade)	330,544.10		
Customers' Installment Notes Receivable maturing monthly over a period of years, accompanied by liens (including matured notes amounting to $76,192.21)	850,987.63		
Argentine Republic Serial Treasury Notes	17,413.68		
Banco do Brasil Guaranteed Notes	17,647.11		
Employees and Others—Notes Receivable	38,131.49		
Interest Accrued	41,438.86		
	1,296,162.87		
Less: Reserve for Doubtful Accounts and Notes	48,779.90	1,247,382.97	
Inventories—at cost (including inactive matrices)		1,419,523.53	
Cash Surrender Value—Life Insurance		39,285.50	$3,374,920.07
INVESTMENTS			
The Monotype Corporation Ltd., England (at cost). Approximate Market Value in England based on current quotations (converted at prevailing rate of exchange) $337,400.00		400,000.00	
Real Estate Mortgage (at cost, less payments)		56,700.00	456,700.00
DEFERRED CHARGES			17,326.20
FIXED ASSETS (at cost)			
Real Estate and Buildings		649,141.43	
Machinery and Equipment		2,636,666.23	
Furniture and Fixtures		87,472.30	
		3,373,279.96	
Less: Reserve for Depreciation		2,475,445.26	897,834.70
PATENTS AND IMPROVEMENTS		2,357,270.13	
Less: Reserve for Amortization		1,759,998.67	597,271.46
RIGHTS AND FRANCHISES		3,644,504.68	
Less: Reserve for Amortization		330,759.79	3,313,744.89
TOTAL ASSETS			$8,657,797.32

LIABILITIES

CURRENT LIABILITIES			
Accounts Payable			
Trade Creditors	$ 10,560.49		
Customers' Credit Balances in Accounts Receivable	21,761.94	$ 32,322.43	
Commissions Payable		11,820.81	
Accrued Payroll		31,954.77	
Unclaimed Dividends Payable		2,767.56	
Due Monotype Welfare Fund		1,060.81	
Accrued Royalties		1,015.46	
Reserve for Taxes		73,128.17	
TOTAL LIABILITIES			$ 154,070.01

CAPITAL AND SURPLUS

CAPITAL STOCK (Authorized 100,000 shares of $100.00 par value)			
Issued		6,000,000.00	
Less: in Treasury		818,640.00	
		5,181,360.00	
EARNED SURPLUS as of February 29, 1940		3,322,367.31	
TOTAL CAPITAL AND SURPLUS			8,503,727.31
TOTAL LIABILITIES, CAPITAL AND SURPLUS			$8,657,797.32

Consolidated Income and Earned Surplus Account of Lanston Monotype Machine Company and its Wholly Owned Subsidiaries

CONSOLIDATED INCOME ACCOUNT

FOR THE YEAR ENDED FEBRUARY 29, 1940

Gross Profit for Fiscal Year	$ 725, 093. 48
Less: Selling and Administrative Expense	735, 229. 92
Loss from Operations after provision for miscellaneous taxes $89, 896. 22, depreciation $90, 554. 58, amortization of patents and improvements $61, 542. 01	10, 136. 44
Add: Interest and Returns from Investments	67, 588. 06
Net Income before provision for Federal and Pennsylvania Income Taxes	57, 451. 62
Provision for above Income Taxes	12, 483. 88
Net Income transferred to Earned Surplus	$ 44, 967. 74

EARNED SURPLUS ACCOUNT

Earned Surplus March 1, 1939		$3, 457, 463. 83
Net Income for the Year transferred to Surplus		44, 967. 74
		3, 502, 431. 57
Less: Dividends Paid for the Year in Cash	$155, 504. 80	
Surplus Adjustments, Net	24, 559. 46	180, 064. 26
Earned Surplus February 29, 1940		$3, 322, 367. 31

WILFRED BANCROFT, *Treasurer*

ACCOUNTANT'S CERTIFICATE

To the Board of Directors,
Lanston Monotype Machine Company,
Philadelphia, Penna.

We have examined the Balance Sheet of the Lanston Monotype Machine Company and the related statements of Income and Surplus for the fiscal year ended February 29, 1940 as they relate to the Consolidated Balance Sheet of the Company and its subsidiaries and related statements for the same period. We have reviewed the system of internal control and the accounting procedures of the Lanston Monotype Machine Company and without making a detailed audit of the transactions have examined or tested accounting records of the Company and other supporting evidence by the methods and to the extent we deemed appropriate.

We accepted and included after review financial statements of the subsidiary companies as certified by independent auditors. Statements of the Brazilian Company incorporated in the consolidated statements were converted at the deposit rate of exchange on February 29, 1940 at 19$810 milreis to the dollar. The Balance Sheet of the Canadian Company incorporated in the consolidated statements was converted at the prevailing rate of exchange existing as of February 29, 1940 and the income account was converted in the weekly average rate of exchange existing during the year ended February 29, 1940.

We have been informed that the Company has consistently followed the policy of including in its Patents and Improvement Accounts all amounts spent in securing patents and in the development of improvements to its products and the amortization of such amounts has been taken over a seventeen year life. Based on such representations, we have examined the additions made and amortization taken for the year under review.

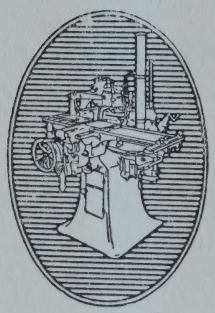
In our opinion, based upon such examination, the accompanying Consolidated Balance Sheet and related statements of Income and Surplus present fairly the position of the Lanston Monotype Machine Company and its subsidiaries at February 29, 1940 and the results of its operations for the fiscal year ended that date in conformity with generally accepted accounting principles applied on the basis consistent with that of the preceding year.

MATHIESON, AITKEN & CO.
Certified Public Accountants

Concurred in by the undersigned committee of stockholders appointed in accordance with the By-Laws of the Company.

JOHN K. MATHIESON
JOHN N. AITKEN, JR. } *Committee*

April 23, 1940.



The text matter of this report is composed in Monotype Twentieth Century Light, Series No. 606. The design comes of honorable parentage, being based on classic Roman and Greek capital letters. It properly comes under the broad classification of letters commonly known as "Sans Serif." Originally intended for display use the simplicity of these forms, along with their easy reading qualities, permit their use for body composition. This is evidenced by an increasing interest for that purpose. Furnished in a full range of usable point sizes and in various weights and widths, Monotype Twentieth Century is the largest type family of its kind available from any source.

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FIFTY-FIRST ANNUAL REPORT

FOR FISCAL YEAR ENDED
FEBRUARY 29, 1944

LANSTON MONOTYPE MACHINE COMPANY

PHILADELPHIA 3, PENNSYLVANIA

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HESS STATIONERS GOTHIC

A NEW MONOTYPE TYPE FACE

THE DESIGN OF HESS MONOTYPE STATIONERS GOTHIC IS BASED ON SELECTED EXAMPLES OF HAND ENGRAVED BLOCK LETTERING NOW FAVORED IN ALL CLASSES OF BLANK FORMS. THIS PARAGRAPH IS SET IN THE BOLD

THE DESIGN OF HESS MONOTYPE STATIONERS GOTHIC IS BASED ON SELECTED EXAMPLES OF HAND ENGRAVED BLOCK LETTERING NOW FAVORED IN ALL CLASSES OF BLANK FORMS. THIS PARAGRAPH IS SET IN THE MEDIUM

THE DESIGN OF HESS MONOTYPE STATIONERS GOTHIC IS BASED ON SELECTED EXAMPLES OF HAND ENGRAVED BLOCK LETTERING NOW FAVORED IN ALL CLASSES OF BLANK FORMS. THIS PARAGRAPH IS SET IN THE LIGHT

THE types now commonly known as the Copperplate Gothics were first introduced over a quarter century ago. In general form they followed rather closely hand engraved copperplate lettering of the period, hence the name. The design is easily recognized by uniformity of line, by austere, mechanized shapes and by insignificant serifs. It lacks unnecessary frills, and reflects dignity and restraint. For these reasons the Copperplate types have been found appropriate for use in the printing of an almost endless variety of professional stationery, bill and check forms, menus, programs, blank ruled forms and the like. The original Monotype Plate Gothics were manufactured about 1920. Since styles in type faces change the same as other things with which we come in daily contact, it was felt advisable to produce a newer and more up-to-date version of the design. Careful research was therefore made of the different styles of hand engraved copperplate style of lettering now favored by leading bank note companies. The best examples of representative letters were selected and trial characters cut in different point sizes and weights. Then complete alphabets were manufactured in the Light, Medium and Bold weights as shown above. This revised copperplate design is called Hess Monotype Stationers Gothic. In feeling and design it is in harmony with the present machine age. Each letter and figure is readily discernible. All three weights have been completed for machine composition in four sizes of 6 point and three of 12 point. Matrices for composition by hand are furnished in three sizes of 18 point and one of 24 point. The series numbers are as follows: Light, No. 84; Medium, No. 82; Bold, No. 85.

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LANSTON MONOTYPE MACHINE COMPANY

PHILADELPHIA 3, PENNA., U. S. A.

HARVEY D. BEST, *President*

T. FRANK MORGAN
Executive Vice-President

JOHN A. FERGUSON
Secretary

WILFRED BANCROFT
Treasurer

JOHN J. MEADTH
Vice-President

ALLEN R. FRETZ
Assistant Secretary

HARVEY W. MONKS
Assistant Treasurer

A. E. PAGOLA
Vice-President, Export Department

F. J. RODERICK
Vice-President, Barrett Division

DIRECTORS

HARVEY D. BEST
JAMES E. COLLIFLOWER
JOHN W. DRYE, JR.
DR. JOHN OLIVER LA GORCE
DAVID S. HENDRICK
DELOS J. NEEDHAM
HENRY PARSONS
WILLIAM E. SCHOOLEY
ROGER J. WHITEFORD

DISTRICT OFFICES AND MANAGERS

CHICAGO
216 W. Jackson Blvd.
JAMES H. SWEENEY, *Manager*

NEW YORK
441 Lexington Avenue
RICHARD BERESFORD, *Manager*

PHILADELPHIA
24th at Locust Street
STANLEY E. HAIGH, *Manager*

BOSTON
170 Summer Street
HALTON M. ERNE, *Manager*

ATLANTA
116 Spring Street, N. W.
G. WALTER LIEB, *Manager*

MONOTYPE COMPANY OF CALIFORNIA

Sharon Building,
55 New Montgomery Street, San Francisco
WILLIAM L. WEATHERLY, *President*
FRANK A. AMES, *Secretary-Treasurer*

MONOTYPE COMPANY OF CANADA LIMITED

34 Adelaide Street W., Toronto, Ontario
H. E. MOUNSTEPHEN, *President*
JOHN J. MEADTH, *Vice-President*
V. PARISH, *Secretary-Treasurer*

COMPANHIA LANSTON DO BRASIL, S. A.

Rua dos Arcos, No. 3, Rio de Janeiro, Brasil, S. A.
A. E. PAGOLA, *President*
M. MIRABET, *General Manager*

BARRETT ADDING MACHINE DIVISION

FRANK J. RODERICK,
Vice-President, General Manager

EXPORT DEPARTMENT

A. E. PAGOLA, *Vice-President, General Manager*
VICTOR PAGOLA, *Assistant Manager*

JOSEPH F. COSTELLO
Chief Engineer and Production Manager

H. L. WALKER
Assistant Mechanical Engineer

GROVER C. LODGE
Factory Manager and Chief Cost Accountant

GEORGE H. STRYKER, *Factory Superintendent*

SOL HESS, *Art Director*

FREDERIC W. GOUDY, *Typographic Counsel*

FRANK M. SHERMAN, *Director of Publicity*

J. I. KITCHIN, *Director of Purchases*

Operations Report and Balance Sheet of the Lanston Monotype Machine Company for the fiscal year ended February 29, 1944

After Federal, Pennsylvania and miscellaneous taxes amounting to $404,591.71, and also after setting up a contingent reserve of $200,000.00 from the operations of the Company for the fiscal year, net earnings amounted to $237,694.47, or $4.67 per share, against $2.32 per share (after contingent reserve of $100,000.00) for the previous year. Dividends of $2.00 per share were paid. Taxes for the year amounted to $7.94 per share, an increase of $3.66 per share over the previous year. Included in earnings is profit of Monotype Company of California of $3,918.69.

Total of reserve for contingencies is now $384,869.20. Renegotiation for the fiscal year ended February 28, 1943 resulted in a refund to the Government of $15,130.80. Operations of the Company for the fiscal year ended February 29, 1944 are subject to renegotiation, the outcome of which cannot be predicted. The Company also has an unknown contingent obligation arising out of wage dispute between the Company and its two Labor Unions. The retroactive date for the Machinists' Union is August 27, 1943, and for the Office Workers' Union August 28, 1943. The War Labor Board has directed the Company and the Unions to mutually establish complete job descriptions, job evaluation and employee classification, along with maximum and minimum rate ranges covering separately each job description. Conferences are being held between the parties. If mutual agreement is not reached, then the War Labor Board directs arbitration, the outcome of which both parties must accept. In the meantime the relations between the Company and the Unions continue to be most friendly and it is my pleasure to record that no formal grievances have been presented by either the Employee Unions or the Company during the past twelve months.

Included in the "Notes to Consolidated Statements" prepared by the Company's Auditors, is a statement showing investments in and advances to the two wholly-owned foreign subsidiaries. The combined assets of the two subsidiaries are in excess of all liabilities.

Comparison of current assets with the prior fiscal year shows a gain in cash on hand of $319,000.00 and gain in investment in U. S. Securities of $620,000.00, a combined gain of $939,000.00. Accounts Receivable show a decrease of $92,498.89. Notes Receivable decreased $144,766.52 and accrued interest decreased $9,499.48, a total decrease for the three items of $246,764.89. In the inventory account work in process increased $54,703.70. Raw material, factory supplies, finished parts and completed products decreased $252,100.36, making a total decrease in inventories of $197,396.66. Total current assets as against the previous year show an increase of $575,299.70. Total current liabilities, including reserves for taxes, increased $241,348.94. Current assets are twelve times current liabilities.

As reported in the Annual Report for the fiscal year ended February 28, 1943, there was presented to the shareholders a proposal, approved by the Board of Directors, to reduce the par value of the Company common stock from a par value of $100.00 to a par value of $25.00 per share. Out of 39,701 shares represented at the meeting in person or by proxy, 39,553 shares voted in favor of the proposal and 148 shares votes against. This change in par value of the stock permitted the writing out of the Patents and Improvements and Rights and Franchises Accounts amounting to a total of $3,615,000.00. The effect of this write-down was to reduce the earned surplus in the amount of $370,000 and to create a capital surplus in the amount of $575,000.00. As of February 29, 1944, earned surplus is $3,151,785.61.

In March, 1942, the Company was ordered by the U. S. War Production Board to discontinue manufacture of all commercial items for the purpose of devoting the capacity of the manufacturing plant to the production of war work. Since that date factory production has been almost entirely devoted to war items, while commercial sales have been made from inventory accumulated prior to March, 1942. Therefore combined sales of war and commercial items exceeded factory production and these commercial sales represent a substantial part of the net earnings for the past two fiscal years.

Volume of war production has been limited because of inability to secure machinists, machine-tool operators, factory workers, accountants and office workers to replace the 52 Company employees who have entered the Military Services. Further decrease in manpower has resulted from deaths of employees. It has thus been impossible to operate the plant on a double shift basis, but necessary to work the available employees a minimum of 53 hours per week, 13 hours of which are at premium wages. In some departments employees have worked many 7-day weeks and up to a total of 70 hours per week.

The war work produced has been practically all highly precision machining and intricate assembly of secret submarine and airborne instruments. This work has been performed as sub-contractors to many of the largest war production plants in the country. In most cases raw materials were supplied by the

prime contractor, while engineering, tool design, tool making and factory production have been on the basis of payment only for work performed. Because of the successful manufacture and fine record made in the delivery of precision work produced, our Company has been assigned top priority rating and has also received many congratulations from the Military Services and the prime contractors covering the important contribution of the Company to the war program. Along with serving as sub-contractors to large prime contractors, the Company has supplied against direct Government orders during the past two years in excess of one million dollars of Monotype machines, Lithographic Plate-Making Equipment and Barrett Adding, Listing and Calculating Machines. These products are in use by the Military Forces throughout the entire war area.

The policy of the Company has always been to maintain adequate inventories of replacement parts and supplies, and because of this we have found it possible to meet the requirements of the users of our machines without undue delay. Depletion of accumulated stock has now reached the point where it is most difficult to meet all the needs of our customers, making it necessary to do some machining of replacement parts. In agreement with War Production Board the Company has not produced any new type designs for the past 18 months, but have been able to complete designs which were in hand. We have an extensive program for post war production of new and desirable type faces. Out of our normal stock of approximately 2,500,000 matrices carried in stock to meet the requirements of Monotype users, we have been able with few exceptions to take care of all necessary replacements. As our contribution to the critical copper recovery program of the War Production Board, Monotype users have turned in for delivery to the Copper Conservation Committee a large number of used matrices containing 80% pure copper. As a further contribution the Company has scrapped some 400,000 new matrices from stock and also turned in more than 6,000 pounds of pure copper.

The Company is in the fortunate position that practically no new special machine tools were required for war production. We have no problem of reconversion other than the securing of raw materials. Because of the many different kinds of machines manufactured and sold by the Company to the Graphic Arts Industry, we do have the problem of the machining of a vast number of parts before new machines can be assembled for shipment. We have ahead of us a post war market for our goods in the United States, Canada and Latin America much in excess of factory capacity. It is estimated that it will require from four to six months before we will be in position to make new machine shipments. In the endeavor to shorten this period, the Management proposes to continue the existing 53-hour work week until such time as the 150 additional shop workers we will need may have been secured. The first manufacture will necessarily be our existing standard machines. We have ahead of us an extensive program of eventual redesigning and improvement of present standard machines. It is anticipated that the completion of this program will require five or more years. The standard machines offered to the trade include Monotype Keyboards and Casting Machines for typesetting, Type-&-Rule Caster Equipment for the making of display types and leads, slugs, rules and borders, Giant Casters for the making of display types and strip material in sizes from 14 to 72 point, Material Making Machines limited to the production of leads, slugs, rules and borders, and Monotype-Thompson Machines for the making of display types in sizes from 4 to 48 point. All of these machines require accessories consisting of Molds, Matrices and special attachments, according to the needs of the buyer. We also supply Lithographic Plate-Making Equipment consisting of Cameras, Photo-Composing Machines, Negative Holders, Universal Process Machines, Vertical Plate-Coating Machines, Vacuum Printing Frames and the Monotype-Huebner Photo-Imposing System. These machines are made in many different sizes to meet the requirements of the size of presses in use by the buyers. We also manufacture Barrett Adding, Listing and Calculating Machines, of which our stock of several thousand machines in inventory at the date of the freezing of commercial manufacture has been entirely disposed of to the various U. S. Government Departments. We have in hand large unfilled Barrett orders which cannot be supplied until manufacture is made possible through the reduction in volume of direct war work.

The Monotype Corporation Limited of England paid in its last fiscal year out of earnings dividends of 10%. The market price of our Company holdings in the English Company as of February 29, 1944, was $168,000.00 in excess of our cost. Cordial relations exist between the two Company Managements.

The Company has suffered a severe loss through the death on March 26, 1944, of Mr. J. Thilman Hendrick, Chairman of the Board. Mr. Hendrick served the Company as Chairman of the Board for 20 years, devoting much of his time and energy to the business. He was especially valuable because of his sound financial judgment and far-seeing vision. His death comes as a personal loss to the Management, as well as to the Company employees.

This Annual Report, along with Proxy material is being mailed to Stockholders 30 days before the date of the Annual Meeting.

Respectfully submitted,

HARVEY D. BEST, *President*

Consolidated Balance Sheet Lanston Monotype Machine Company and its Wholly-Owned Domestic Subsidiary at February 29, 1944

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS			
Cash—Domestic	$ 1,821,768.24		
Canadian	4,658.21	$ 1,826,426.45	
United States Bonds		905,462.50	
Accounts Receivable (Trade)	188,854.80		
Customers' Installment Notes Receivable maturing monthly over a period of years, accompanied by liens (including matured notes amounting to $23,047.38)	312,942.33		
Argentine Republic Serial Treasury Notes	9,528.24		
Employees and Others—Notes Receivable	3,452.88		
Interest Accrued on Notes Receivable	23,494.46		
	538,272.71		
Less: Reserve for Doubtful Accounts and Notes	59,990.93	478,281.78	
Inventories		1,188,247.69	
Cash Surrender Value Life Insurance		10,045.02	$ 4,408,463.44
INVESTMENTS			
The Monotype Corporation Ltd., England (at cost). Approximate Market Value in England based on current quotations (converted at prevailing rate of exchange) $568,097.73			400,000.00
INVESTMENTS IN AND ADVANCES TO WHOLLY-OWNED FOREIGN SUBSIDIARIES NOT CONSOLIDATED			
Securities of Subsidiaries (at cost)		68,046.77	
Advances to Subsidiaries		190,414.71	
		258,461.48	
Less: Reserve for Losses in Foreign Subsidiaries		19,568.50	238,892.98
FIXED ASSETS (at cost)			
Real Estate and Buildings		649,468.66	
Machinery and Equipment		2,672,835.65	
Furniture and Fixtures		79,259.57	
		3,401,563.88	
Less: Reserve for Depreciation		2,722,978.39	678,585.49
DEFERRED CHARGES			24,872.37
TOTAL ASSETS			$ 5,750,814.28

LIABILITIES

CURRENT LIABILITIES			
Accounts Payable			
Trade Creditors	$ 6,496.14		
Customers' Credit Balances in Accounts Receivable	16,452.57	$ 22,948.71	
Commissions Payable		3,170.21	
Accrued Payroll		21,339.35	
Unclaimed Dividends Payable		2,961.46	
Due Monotype Welfare Fund		750.00	
Accrued Royalties		849.62	
Reserve for Taxes	392,562.29		
Less: Tax Anticipation Notes	82,000.00	310,562.29	
Due Employees for Purchase of U.S. Government Bonds		2,822.60	
TOTAL LIABILITIES			$ 365,404.24
RESERVE FOR CONTINGENCIES			384,869.20

CAPITAL AND SURPLUS

CAPITAL STOCK (Authorized 100,000 shares of $25.00 Par Value)		
Issued 60,000 Shares	$ 1,500,000.00	
Less, in Treasury 9,066 2-5 Shares	226,660.00	
50,933 3-5 Shares	1,273,340.00	
CAPITAL SURPLUS	575,415.23	
EARNED SURPLUS	3,151,785.61	
TOTAL CAPITAL AND SURPLUS		5,000,540.84
TOTAL LIABILITIES, CAPITAL AND SURPLUS		$ 5,750,814.28

Income and Earned Surplus Account of the Lanston Monotype Machine Company and its Wholly-Owned Domestic Subsidiary

CONSOLIDATED INCOME ACCOUNT

FOR THE YEAR ENDED FEBRUARY 29, 1944

Gross Profit for Fiscal Year	$ 1,181,285.18
Less: Administrative and Selling Expense	463,696.55
Gain from Operations after provisions for miscellaneous taxes $78,598.83, depreciation $67,839.14	717,588.63
Add: Interest and Returns from Investments	46,098.72
Net Income before provisions for Federal and Pennsylvania Income Taxes	763,687.35
Provision for Income Taxes	325,992.88
Net Income for Year	437,694.47
Provision for Reserve for Contingencies	200,000.00
Balance of Net Income transferred to Earned Surplus	$ 237,694.47

CONSOLIDATED EARNED SURPLUS ACCOUNT

Balance, March 1, 1943		$ 3,372,960.79
Add: Balance transferred from Income Account	$ 237,694.47	
Surplus Adjustments, Net	13,661.13	251,355.60
		3,624,316.39
Less: Dividends Paid for the Year in Cash	101,867.20	
Write off of net book value of Patents and Improvements as at March 1, 1943, approved at a special meeting of stockholders on June 24, 1943	370,663.58	472,530.78
Balance, February 29, 1944		$ 3,151,785.61

CONSOLIDATED CAPITAL SURPLUS ACCOUNT

Reduction in par value of capital stock from $100.00 per share to $25.00 per share, as approved at a special meeting of stockholders on June 24, 1943	$ 3,820,020.00
Less: Write off of net book value of Rights and Franchises as at March 1, 1943, approved at a special meeting of stockholders on June 24, 1943	3,244,604.77
Balance February 29, 1944	$ 575,415.23

NOTES TO CONSOLIDATED STATEMENTS

INVENTORIES: The inventories are valued at cost or market, whichever lower, and market is based on current selling prices. Included in the inventory are certain peacetime products in excess of one year's normal customer demand, based on past and present volumes of business. At the present time the manufacture and sale of the Company's peacetime products are subject to various limitations as prescribed by orders issued by the War Production Board. During the year the inventory decreased $197,396.66.

INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES NOT CONSOLIDATED: Investments in and advances to subsidiaries not consolidated and the equity and liabilities to the Parent Company as disclosed by financial statements of these subsidiaries, prepared by independent auditors, are summarized as follows:

	INVESTMENTS AND ADVANCES	EQUITY COVERING INVESTMENT AND ADVANCES
Companhia Lanston do Brasil, S. A.	$ 194,737.02	$ 181,873.97
Monotype Company of Canada, Ltd.	63,724.46	85,096.63
	258,461.48	
Less: Reserve	19,568.50	
	238,892.98	266,970.60

RECAPITALIZATION: At a special meeting of stockholders held on June 24, 1943 approval was given by the stockholders to (1) reduce the par value of capital stock from $100.00 per share to $25.00 per share, and (2) to eliminate from the assets the net book value at March 1, 1943 of Patents and Improvements and Rights and Franchises by appropriate charges to Earned Surplus and Capital Surplus respectively. Reference is made to Analyses of Earned Surplus and Capital Surplus for further details.

RESERVE FOR CONTINGENCIES: In prior years $200,000.00 had been provided out of income for losses undetermined which might result from the Company's participation in the war production program. To this reserve has been charged $15,130.80 representing the result of final renegotiation of the Company's profits for the fiscal year ended February 28, 1943, which was after giving effect to applicable income taxes. An additional $200,000.00 has been provided out of profits for the current period which is considered adequate to cover (1) possible renegotiation of profits for the current period, (2) possible retroactive wage payments resulting from negotiations pending before the War Labor Board, and (3) losses presently undetermined which may result from the interruption of the normal production of the Company due to participation in the war production program.

ACCOUNTANT'S CERTIFICATE

To the Board of Directors,
Lanston Monotype Machine Company, Philadelphia 3, Penna.

We have examined the Consolidated Balance Sheet of the Lanston Monotype Machine Company and its wholly-owned domestic subsidiary as at February 29, 1944, the Consolidated Profit and Loss Statement and the Consolidated Surplus Accounts for the year ended that date; have reviewed the system of internal control and the accounting procedures of the Company and without making a detailed audit of the transactions have examined or tested the accounting records of the Company and other supporting evidence by methods and to the extent we deemed appropriate.

Normal auditing standards were applied to inventories of completed products stated in the amount of $126,524.44 at February 29, 1944 and in the amount of $304,757.86 at February 28, 1943. In order not to interrupt production of war materials, the Company did not take inventories of raw materials, work in process, and finished parts stated in the amount of $1,061,723.25 at February 29, 1944 and in the amount of $1,080,886.49 at February 28, 1943; and we were, therefore, unable to inspect this part of the inventories or to make test checks thereof. We investigated the Company's accounting methods and records with respect to these inventories and are of the opinion that they are fairly stated. Otherwise our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included all procedures which we consider necessary.

As a result of recapitalization, approved at a special meeting of stockholders held on June 24, 1943, Patents and Improvements, net of reserve for amortization, was charged to Earned Surplus as at March 1, 1943. Correspondingly, the accounting procedures were changed for the current and subsequent periods, whereby expenditures previously capitalized, and amortized over a seventeen year period, would be charged to expense as incurred. As a result of this change in procedure, the charge to expense for this period amounted to $10,047.73. Under the procedure previously in force, the charge for the period representing amortization and charge-offs would have been $52,550.24. The accounting procedure in use for the current period, relative to Patents and Improvements, is also considered to be acceptable accounting procedure in which we concur.

We accepted and included after review financial statements of the domestic subsidiary as prepared by independent accountants.

In our opinion, subject to the comments in the preceding paragraph concerning inventories, and to the eventual realization of investments and advances in foreign countries which is not now determinable, the accompanying Consolidated Balance Sheet and related statements of Profit and Loss and Surplus, together with notes forming a part thereof, present fairly the position of the Lanston Monotype Machine Company and its wholly-owned domestic subsidiary at February 29, 1944, and the consolidated results of their operations for the year ended that date in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as to the change in accounting procedure relative to Patents and Improvements referred to in a preceding paragraph.

Mathieson, Aitken & Co., *Certified Public Accountants*

Concurred in by the undersigned committee of stockholders appointed in accordance with the By-Laws of the Company.

J. N. Aitken, Jr., Harry T. Schug, *Committee*

May 11, 1944.

The main text matter of this report is composed in Hess Old Style, Series No. 242E, and the title page and subheads in Hess Stationers Gothic, Series No. 84J and No. 85J. The display italic lines are handset in Janson, Series No. 4011. All these type faces with the exception of Janson (which is an adaptation of the Dutch type of the same name) were designed by Sol Hess, Monotype Art Director.

PRINTED IN U.S.A.

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FIFTY-SECOND ANNUAL REPORT

FOR FISCAL YEAR ENDED

FEBRUARY 28, 1945

LANSTON MONOTYPE MACHINE COMPANY

PHILADELPHIA 3, PENNSYLVANIA

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A 40-Year Monotype User Appreciates Monotype Service

The Mack Printing Company of Easton, Pa., is one of the largest printing plants in the country specializing in the production of scientific publications of various kinds. The intricacies of its typesetting problems and the high quality of printing demanded by clients virtually dictate the operation of Monotype equipment. Fourteen Monotype Keyboards on one shift and nine Composition Type-Casters operating two shifts annually produce approximately 120,000,000 ems of machine typesetting at Mack's, and a Monotype Display Type-Caster, a Giant and Material Maker furnish type and materials used in hand composition.

Shortly after the first of this year, in answering a letter written to him at Christmas by Mr. Harvey D. Best, Chairman of the Monotype Board, Mr. Harvey F. Mack, President of the Mack Printing Company and one of its founders, said:

Easton, Pa., January 9, 1945

Mr. HARVEY D. BEST, *Chairman of the Board*
Lanston Monotype Machine Company,
Philadelphia 3, Penna.

Dear Mr. Best:

Your letter came to my desk while I was absent in Florida . . . I assure you it has been a very impressive experience to have had such a long and pleasant business relationship. You have not so stated, but do you realize that on New Year's Day this year it was just forty years ago that we began the use of Monotype equipment? Such a span of use is most impressive, and it could have only been made possible because you have taught us how to use it with profit and the creation of a system of service which has kept the equipment constantly in a high state of efficiency.

We wish for your folks a continuation of this conception of the most important but indispensable factors in the success of any business.

Yours sincerely,

MACK PRINTING COMPANY
(*Signed*) HARVEY F. MACK, *President.*

In commenting on the 118,000,000 ems of Monotype machine typesetting produced at Mack's during one year, Mr. Grover C. Mutchler, plant superintendent, had the following to say in "Em-Pica," the firm's house magazine:

What does 118,000,000 ems of composition mean? What is "BIG"? Try this yardstick. 30,000 ems to an average solid newspaper page into 118,000,000 ems equal 3,933 solid newspaper pages, or better than the equivalent of a solid 10-page newspaper every one of 365 days in the year; equivalent to approximately the text of a 24-page newspaper every one of 365 days in the year.

118,000,000 ems of composition in an average 9-point single line would reach from Easton to New York through the Lincoln Tunnel, around Times Square, downtown and through the Holland Tunnel, over to Philadelphia, and then on back to re-circle the Square in Easton, or over 236 miles. Mack Printing Company produces such a line of type each year—justified.

LR3
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LANSTON MONOTYPE MACHINE COMPANY

PHILADELPHIA 3, PENNA., U. S. A.

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JOSEPH F. COSTELLO, *President*

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Vice-President

JOHN A. FERGUSON
Secretary

WILFRED BANCROFT
Treasurer

DAVID S. HENDRICK
Vice-President

ALLEN R. FRETZ
Assistant Secretary

HARVEY W. MONKS
Assistant Treasurer

A. E. PAGOLA
Vice-President, Export Department

F. J. RODERICK
Vice-President, Barrett Division

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JOSEPH F. COSTELLO
JOHN W. DRYE, JR.
DR. JOHN OLIVER LA GORCE
DAVID S. HENDRICK
DELOS J. NEEDHAM
HENRY PARSONS
WILLIAM E. SCHOOLEY

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JAMES H. SWEENEY, *Manager*

New York
441 Lexington Avenue
RICHARD BERESFORD, *Manager*

Philadelphia
24th at Locust Street
GEORGE E. NELSON, *Assistant Manager*

Boston
170 Summer Street
HALTON M. ERNE, *Manager*

Atlanta
116 Spring Street, N. W.
G. WALTER LIEB, *Manager*

MONOTYPE COMPANY OF CALIFORNIA

Sharon Building,
55 New Montgomery Street, San Francisco
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FRANK A. AMES, *Secretary-Treasurer*

MONOTYPE COMPANY OF CANADA LIMITED

34 Adelaide Street W., Toronto, Ontario
H. E. MOUNSTEPHEN, *President*
STANLEY E. HAIGH, *Vice-President*
V. PARISH, *Secretary-Treasurer*

COMPANHIA LANSTON DO BRASIL, S. A.

Rua dos Arcos, No. 3, Rio de Janeiro, Brasil, S. A.
A. E. PAGOLA, *President*
M. MIRABET, *General Manager*

BARRETT ADDING MACHINE DIVISION

FRANK J. RODERICK
Vice-President, General Manager

EXPORT DEPARTMENT

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VICTOR PAGOLA, *Manager*

J. A. MULLARKEY
Sales Manager

H. L. WALKER
Assistant Mechanical Engineer

GROVER C. LODGE
Factory Manager and Chief Cost Accountant

GEORGE H. STRYKER, *Factory Superintendent*

SOL HESS, *Art Director*

FREDERIC W. GOUDY, *Typographic Counsel*

FRANK M. SHERMAN, *Director of Publicity*

J. I. KITCHIN, *Purchasing Agent*

Operations Report and Balance Sheet of Lanston Monotype Machine Company for the fiscal year ended February 28, 1945, approved by the Board of Directors for presentation to the Stockholders

★

Net earnings for the fiscal year amounted to $290,140.12 ($5.74 per share), this after provision of $566,700.00 for Federal and State income taxes and undetermined renegotiation refund; also additional reserve for contingencies of $100,000.00. Dividends paid for the year totaled $177,465.60.

Total reserve for contingencies, including $100,000.00 set aside from operations for the current year and unused reserves set up in prior years, is $388,276.86. The purpose of these reserves is to cover costs of reconversion to commercial manufacture through the period required for acquiring raw materials, machining parts and assembling machines for delivery to customers. Since the Company has no commercial machines in stock, there will be an interval of several months devoted to manufacture before any substantial deliveries of machines can be made.

It will be noted from the Consolidated Balance Sheet that a reserve fund (in cash) has been provided for the acquisition of improved and more efficient machine tools when such tools are available. Because of the close precision machining required in the production of Monotypes, Lithographic Plate-making equipment and Barrett Adding Machines, we must also provide precision tools of our own manufacture for the purpose of making all parts of all outstanding machines entirely interchangeable.

The Monotype Corporation Limited of England paid for its fiscal year from earnings dividends amounting to 10% on the outstanding common stock. The English Company has no bond issue or preferred stock. As of February 28, 1945, the ownership by our Company of the English stock, valued at $400,000.00 purchase price, shows a market value of $643,719.10. Immediately that transportation is available, Director and General Manager H. L. Buckle will come to the United States for the purpose of exchanging information helpful to the business of both companies.

All commercial products of the Company must be marketed at not above price ceilings established by the U. S. Office of Price Administration as of October 1, 1941. Since that date wages of our Union Shop and Office Workers have been increased 22.19%. Prices of raw materials have been increased in many cases. Until such time as Government price control is cancelled, the Company is required to absorb all additional costs out of earnings arising from the sale of its goods at pre-war prices.

Through the entire fiscal year Philadelphia has been listed by U. S. War Manpower Commission as a No. 1 critical labor area. All plants, including those completely engaged in war production, have been covered by manpower ceilings established by the Commission, and plants requiring addi-

tional labor are permitted new employees solely and only for war production work. The output of our factory has therefore been limited by our labor ceiling. We have been able to meet the needs of our customers for replacement parts, matrices and other supplies only through working excessive overtime hours, but have met the requirements of existing customers with reasonable promptness, so that the users of our machinery have been able to keep their plants in operation.

Our war work has been devoted to furnishing to Government agencies large numbers of Monotype-Huebner Airplane Photo-Template Cameras, special Map Cameras, Plate Coaters and other items required for the production of Airplane Templates and the making of Military Maps. We have also produced in large quantities a number of newly designed secret airborne instruments and range finders, such as described in a general way in an article under the heading, "Dream Weapon," appearing on pages 24 and 32 of the May 12, 1945, issue of Collier's Magazine. When the secrecy requirements are lifted our shareholders and the Graphic Arts industry will be furnished with more detailed information showing the importance of the contribution of Lanston Monotype Machine Company to the successful prosecution of the war. Many of these instruments have been manufactured only in the Monotype plant. Up to this date we have not received cutbacks or cancellations and manufacturing schedules of the Military Procurement Agencies will require extended time for completion. Until existing orders are terminated we will have no available labor for the manufacture of commercial machines, but do have post-war purchase orders which will require additional shop workers.

Our instrument manufacture consists of new items of the most exacting precision nature, requiring engineering study, tool design and the manufacture of special tools. Much preliminary engineering has been done and will eventually be reflected in the commercial products of the Company. The Company will continue its long established policy of making available to the printing trade new type designs to meet the constantly changing demands for original and suitable type faces for use in daily newspapers, magazines, book publishing and direct mail advertising.

Mr. John J. Meadth, elected to the presidency of the Company on June 22, 1944, died on October 21, 1944. Mr. Meadth had efficiently served Monotype through a period of twenty-seven years. Through his death the Company management and the organization have suffered a severe loss.

The present Officers, Directors and branch and subsidiary company managers are shown on page 3 of this Report.

This Annual Report, along with proxy form and statement, was mailed to stockholders in advance of thirty days before the date of the Annual Meeting.

Respectfully submitted,

June 14, 1945.

JOSEPH F. COSTELLO, *President*

Consolidated Balance Sheet Lanston Monotype Machine Company and its Wholly-Owned Domestic Subsidiary at February 28, 1945

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS			
Cash—Domestic	$ 1,691,965.06		
Canadian	3,977.18	$ 1,695,942.24	
United States Bonds		805,462.50	
Accounts Receivable (Trade)	353,358.23		
Customers' Installment Notes Receivable maturing monthly over a period of years, accompanied by liens (including matured notes amounting to $18,055.67)	191,220.65		
Argentine Republic Serial Treasury Notes	7,556.88		
Employees and Others—Notes Receivable	969.03		
Interest Accrued on Notes Receivable and Bonds	18,765.86		
	571,870.65		
Less: Reserve for Doubtful Accounts and Notes	59,990.93	511,879.72	
Inventories		1,412,819.39	
Total Current Assets			$ 4,426,103.85
Reserve Fund (In cash) for new machinery and plant rehabilitation			300,000.00
Cash Surrender Value Life Insurance			10,492.89
INVESTMENTS			
The Monotype Corporation Ltd., England (at cost). Approximate Market Value in England based on current quotations (converted at prevailing rate of exchange) $643,719.10			400,000.00
INVESTMENTS IN AND ADVANCES TO WHOLLY-OWNED FOREIGN SUBSIDIARIES NOT CONSOLIDATED			
Securities of Subsidiaries (at cost)		68,046.77	
Advances to Subsidiaries		220,484.69	
		288,531.46	
Less: Reserve for Losses in Foreign Subsidiaries		19,568.50	268,962.96
Refund of Federal and State Taxes			30,373.18
FIXED ASSETS (at cost)			
Real Estate and Buildings		649,468.66	
Machinery and Equipment		2,684,908.76	
Furniture and Fixtures		79,202.25	
		3,413,579.67	
Less: Reserve for Depreciation		2,777,457.28	636,122.39
DEFERRED CHARGES			24,695.63
TOTAL ASSETS			$ 6,096,750.90

LIABILITIES

CURRENT LIABILITIES			
Accounts Payable Trade Creditors		$ 9,914.46	
Customers' Credit Balances in Accounts Receivable		20,967.27	
Renegotiation Refund (Fiscal year ended February 29, 1944)		66,264.62	
Accrued Payroll, Commissions and Royalties		56,863.01	
Unclaimed Dividends Payable		3,119.06	
Due Monotype Welfare Fund		750.00	
Reserve for Taxes and Renegotiation	$ 629,242.92		
Less: Tax Anticipation Notes	200,000.00	429,242.92	
Due Employees for Purchase of U. S. Government Bonds		2,127.60	
TOTAL LIABILITIES			$ 589,248.94
RESERVE FOR CONTINGENCIES			388,276.86

CAPITAL AND SURPLUS

CAPITAL STOCK (Authorized 400,000 shares of $25.00 Par Value)		
Issued 60,000 Shares	$ 1,500,000.00	
Less, in Treasury 9,467 2-5 Shares	236,685.00	
50,532 3-5 Shares	1,263,315.00	
CAPITAL SURPLUS	570,883.93	
EARNED SURPLUS	3,285,026.17	
TOTAL CAPITAL AND SURPLUS		5,119,225.10
TOTAL LIABILITIES, CAPITAL AND SURPLUS		$ 6,096,750.90

Income, Earned and Capital Surplus Accounts of the Lanston Monotype Machine Company and its Wholly-Owned Domestic Subsidiary

CONSOLIDATED INCOME ACCOUNT

FOR THE YEAR ENDED FEBRUARY 28, 1945

Gross Profit for Fiscal Year	$ 1,354,819.98
Less: Administrative and Selling Expense	439,623.89
Gain from Operations after provisions for miscellaneous taxes $65,177.09, depreciation $60,345.40	915,196.09
Add: Interest and Returns from Investments	41,644.03
Income before provision for Federal and Pennsylvania Income Taxes and Renegotiation	956,840.12
Provision for Income Taxes and Renegotiation	566,700.00
Net Income for Year	390,140.12
Provision for Reserve for Contingencies	100,000.00
Balance of Net Income transferred to Earned Surplus	$ 290,140.12

CONSOLIDATED EARNED SURPLUS ACCOUNT

Balance, March 1, 1944		$ 3,151,785.61
Add: Balance transferred from Income Account	$ 290,140.12	
Surplus Adjustments, Net	20,566.04	310,706.16
		3,462,491.77
Less: Dividends Paid for the Year in Cash		177,465.60
Balance, February 28, 1945		$ 3,285,026.17

CONSOLIDATED CAPITAL SURPLUS ACCOUNT

Balance, March 1, 1944	$ 575,415.23
Less, Proportionate part of premium paid over par value for Treasury Stock acquired	4,531.30
Balance, February 28, 1945	$ 570,883.93

NOTES TO CONSOLIDATED STATEMENTS

RESERVE FUND: A reserve fund, in cash, has been provided for the purchase of new machinery and for plant rehabilitation.

INVENTORIES: The inventories are valued at cost or market, whichever lower, and market is based on current selling prices. Included in the inventory are certain peacetime products in excess of one year's normal customer demand, based on past and present volumes of business which at the present time is subject to various limitations as prescribed by orders issued by the War Production Board. During the year the inventory increased $224,571.70 due entirely to increased participation in the war program.

INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES NOT CONSOLIDATED: Investments in and advances to subsidiaries not consolidated and the equity and liabilities to the Parent Company as disclosed by financial statements of these subsidiaries, prepared by independent auditors, are summarized as follows:

	INVESTMENTS AND ADVANCES	EQUITY COVERING INVESTMENTS AND ADVANCES
Companhia Lanston do Brasil, S. A.	$ 208,722.47	$ 230,246.52
Monotype Company of Canada, Ltd.	79,808.99	105,850.82
	288,531.46	
Less: Reserve	19,568.50	
	268,962.96	336,097.34

RESERVE FOR CONTINGENCIES: In prior years $400,000.00 had been provided out of income for losses undetermined which might result from the Company's participation in the war production program. To this reserve has been charged the effect of final renegotiation of the Company's profits for the fiscal years ended February 28, 1943 and 1944 and the retroactive wage payments made during the fiscal year just ended as a result of negotiations before the War Labor Board. An additional $100,000.00 has been provided out of profits for the current period to provide for plant rehabilitation, and other losses mentioned above.

SURPLUS ADJUSTMENTS, NET: These adjustments constitute excessive tax reserves provided in the prior year, less the cost of the Company's stock repurchased during the year at prices in excess of $36.30 per share and other minor tax adjustments.

ACCOUNTANT'S CERTIFICATE

To the Board of Directors,
Lanston Monotype Machine Company, Philadelphia 3, Penna.

We have examined the Consolidated Balance Sheet of the Lanston Monotype Machine Company and its wholly-owned domestic subsidiary as at February 28, 1945, the Consolidated Profit and Loss Statement and the Consolidated Surplus Accounts for the year ended that date; have reviewed the system of internal control and the accounting procedures of the Company and without making a detailed audit of the transactions have examined or tested the accounting records of the Company and other supporting evidence by methods and to the extent we deemed appropriate.

Normal auditing standards were applied to inventories of completed products stated in the amount of $64,504.60 at February 28, 1945 and in the amount of $126,524.44 at February 29, 1944. In order not to interrupt production of war materials, the Company did not take inventories of raw materials, work in process, and finished parts stated in the amount of $1,348,314.79 at February 28, 1945 and in the amount of $1,061,723.25 at February 29, 1944; and we were, therefore, unable to inspect this part of the inventories or to make test checks thereof. We investigated the Company's accounting methods and records with respect to these inventories and are of the opinion that they are fairly stated. Otherwise our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included all procedures which we considered necessary.

We accepted and included after review financial statements of the domestic subsidiary as prepared by independent accountants.

In our opinion, subject to the comments in the paragraph concerning inventories, and to the eventual realization of investments and advances in foreign subsidiaries which is not now determinable, the accompanying Consolidated Balance Sheet and related Statements of Profit and Loss and Surplus, together with the notes forming a part thereof, present fairly the position of the Lanston Monotype Machine Company and its wholly-owned domestic subsidiary at February 28, 1945, and the consolidated results of their operations for the year ended that date in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Mathieson, Aitken & Co., *Certified Public Accountants*

Concurred in by the undersigned committee of stockholders appointed in accordance with the By-Laws of the Company.

J. N. Aitken, Jr., Harry T. Schug, *Committee*

May 22, 1945.

The main text matter of this report is composed on the Monotype in Century Schoolbook, Series No. 420ABC. This useful member of the Century Family was originally designed for use in the printing of primary grade schoolbooks, hence its name. The easy readability of this type face has also dictated widespread use in general, commercial and book printing.

PRINTED IN U. S. A.

338.7
L293
945/46

FIFTY-THIRD ANNUAL REPORT

FOR FISCAL YEAR ENDED
FEBRUARY 28, 1946

LANSTON MONOTYPE
MACHINE COMPANY
PHILADELPHIA 3, PENNSYLVANIA

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LANSTON MONOTYPE MACHINE COMPANY

24th at Locust Street • Philadelphia 3, Pa.

★

Manufacturers of

MONOTYPE TYPESETTING EQUIPMENT

MONOTYPE-THOMPSON TYPE-CASTING MACHINE

MONOTYPE-HUEBNER OVERHEAD CAMERA

MONOTYPE-HUEBNER PHOTO-COMPOSING MACHINE

MONOTYPE-HUEBNER PHOTO-IMPOSING EQUIPMENT

MONOTYPE-HUEBNER PLATE-COATING MACHINE

MONOTYPE-DIRECTOPLATE ALL-METAL CAMERA

BARRETT ADDING AND LISTING MACHINES

The part played by Monotype in the industrial, economic and educational life of the Western Hemisphere is convincingly shown by the uses to which its products serve the individuals and firms that purchase them.

All the equipment manufactured by Monotype is in general use by that important section of one of the world's greatest industries, which is referred to as the Graphic Arts.

The activities of this great industry include newspaper and magazine publishing, job and commercial printing, book, catalog and many other forms of printing, by letterpress, offset or gravure.

Monotype designs for type faces have been found to be a major contribution to the typographic resources available to the industry. Monotype matrices are used extensively in all branches of printing and advertising.

The Barrett Adding and Listing Machines manufactured by Monotype are known throughout the world as an expedient wherever modern accounting methods are required.

L293
1945/46

LANSTON MONOTYPE MACHINE COMPANY

PHILADELPHIA 3, PENNA., U. S. A.

HARVEY D. BEST, *Chairman of the Board*

JOSEPH F. COSTELLO, *President*

STANLEY E. HAIGH
Vice-President

JOHN A. FERGUSON
Secretary

HARVEY W. MONKS
Treasurer

DAVID S. HENDRICK
Vice-President

ALLEN R. FRETZ
Assistant Secretary

A. E. EDMUNDS
Assistant Treasurer

A. E. PAGOLA
Vice-President, Export Department

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JAMES E. COLLIFLOWER
JOSEPH F. COSTELLO
JOHN W. DRYE, JR.
DR. JOHN OLIVER LA GORCE
DAVID S. HENDRICK
DELOS J. NEEDHAM
HENRY PARSONS
WILLIAM E. SCHOOLEY

EXECUTIVE COMMITTEE

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JAMES E. COLLIFLOWER
JOSEPH F. COSTELLO
WILLIAM E. SCHOOLEY

DISTRICT OFFICES AND MANAGERS

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216 W. Jackson Blvd.
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Boston
170 Summer Street
HALTON M. ERNE, *Manager*

New York
441 Lexington Avenue
RICHARD BERESFORD, *Manager*

Atlanta
116 Spring Street, N. W.
G. WALTER LIEB, *Manager*

Philadelphia
24th at Locust Street
GEORGE E. NELSON, *Manager*

Northwest
P. O. Box 2005, Seattle, Wash.
HARRY S. ADAMS, JR., *Manager*

California
Sharon Building
55 New Montgomery Street, San Francisco
WILLIAM L. WEATHERLY, *Manager*

MONOTYPE COMPANY OF CANADA LIMITED

34 Adelaide Street W., Toronto, Ontario
H. E. MOUNSTEPHEN, *President*
STANLEY E. HAIGH, *Vice-President*
V. PARISH, *Secretary-Treasurer*

COMPANHIA LANSTON DO BRASIL, S.A.

Rua dos Arcos, No. 3, Rio de Janeiro, Brasil, S. A.
A. E. PAGOLA, *President*
M. MIRABET, *General Manager*

BARRETT ADDING MACHINE DIVISION

H. G. WELLS
Sales Manager

EXPORT DEPARTMENT

A. E. PAGOLA, *Vice-President and Export Director*
VICTOR PAGOLA, *Manager*

J. A. MULLARKEY
Sales Manager

H. L. WALKER
Assistant Mechanical Engineer

GROVER C. LODGE, *Factory Manager*

ADAM S. NAYLOR, *Chief Cost Accountant*

GEORGE H. STRYKER, *Factory Superintendent*

SOL. HESS, *Art Director*

FREDERIC W. GOUDY, *Typographic Counsel*

FRANK M. SHERMAN, *Director of Publicity*

J. I. KITCHIN, *Purchasing Agent*

Operations Report and Balance Sheet of Lanston Monotype Machine Company for the fiscal year ended February 28, 1946, approved by the Board of Directors

★

To the Stockholders:

The past year for your Company, as for most American manufacturing concerns, was a year of production for both war and peace. Although Management, following the close of the war, found it possible to immediately reconvert to commercial production, shortages of labor, material and parts have somewhat hindered the delivery of commercial equipment during the fiscal year in review.

Net earnings for the fiscal year ended February 28, 1946, after provision of $400,000.00 for Federal and State income taxes and possible refunds on renegotiation of war contracts, amounted to $254,171.75 ($1.01 per share on the outstanding $5.00 par value stock).

The reserve for contingencies set up in prior years of $388,276.86 was reduced to $150,000.00 to provide for plant rehabilitation. The balance, $238,276.86, not now considered necessary was transferred to earned surplus account. The amount of $52,841.11 transferred from the reserve for doubtful accounts and notes receivable pending the return of the Company to normal commercial operation, has been included in the total reserve for contingencies of $202,841.11.

During the year it was found necessary to make adjustments in the earnings of the prior year by including profit arising from contracts considered completed therein in renegotiation, which increased the earnings for the fiscal year ended February 28, 1945, by $11,814.75.

It is a pleasure to point to the healthy condition of our two wholly owned subsidiaries, Companhia Lanston do Brasil, S. A., and Monotype Company of Canada, Limited. The equity in each company substantially exceeds the investment in and advances made to it. Both subsidiaries have shown satisfactory earnings for the year. The volume of orders on hand is the greatest in the history of each organization.

The stockholders at the Annual Meeting held on July 26, 1945, voted by a large majority to reduce the par value of the stock from $25.00 per share to $5.00 per share and to increase the number of shares on the basis

of five shares of new $5.00 par value stock for each share of $25.00 par value stock held. Following this action the Board of Directors voted to list the stock of the Company on the New York Curb Exchange. The stock was admitted to trading on the Curb on December 21, 1945.

The Company has a large accumulation of orders for Monotype Machines, M-H Lithographic Platemaking Equipment and Barrett Adding Machines. Though new machine production is somewhat hampered due to difficulties in securing raw materials and skilled labor, shipments for the first three months of the new year have been most gratifying. During the year a program was initiated for the training of returned Veterans. This plan is now well under way and should result in the development of capable employees.

Labor and material costs have greatly increased since October 1, 1941. To offset these additional costs, the Office of Price Administration on Jan. 9, 1946, granted a 12% increase to manufacturers of printing machinery.

While Management found it possible to immediately reconvert to commercial production following the close of the war, it was deemed necessary, however, to reorganize production facilities and rehabilitate plant machinery. Of a cash reserve fund of $300,000.00 established last year for this purpose, there remained at the close of the fiscal year $158,909.17 unexpended. Additional machine tools have since been purchased. Many are now in operation and are contributing to more efficient and economical production.

Though our Engineering and Production Departments were almost entirely engaged in providing for war essential products during the war years, some engineering time was found for carrying on in a limited way the Company program to increase the contribution of Monotype products, to better the quality and lower the cost of typesetting and lithographic printing.

Travel conditions and the war have prevented any close personal contact with our friends and neighbors, the Monotype Corporation Limited of England. However, we have been able to exchange freely technical data most helpful to both Companies.

The next Annual Meeting of the Stockholders will be held on Thursday, July 25, 1946. Formal notice of the meeting together with proxy statements and form of proxy will be mailed to each Stockholder on or about June 25, 1946, at which time proxies will be requested by the Management.

Respectfully submitted,

June 21, 1946

JOSEPH F. COSTELLO, *President*

Lanston Monotype Machine Company
Balance Sheet at February 28, 1946

ASSETS			
CURRENT ASSETS			
Cash—Domestic	$ 1,709,202.64		
Canadian	3,233.49		
		$ 1,712,436.13	
United States Bonds and accrued interest		1,313,497.44	
Accounts Receivable, Trade	159,023.58		
Termination Claims Receivable	105,928.23		
Customers' Installment Notes Receivable maturing monthly over a period of years, accompanied by liens (including matured notes amounting to $17,030.70)	126,969.11		
Employees and Others—Notes Receivable	747.03		
Interest accrued on Notes	9,725.55		
	402,393.50		
Less, Reserve for Doubtful Accounts and Notes	7,149.82		
		395,243.68	
Inventories		1,141,161.74	
Total Current Assets			$ 4,562,338.99
Reserve Fund (In cash) for new machinery and plant rehabilitation			158,909.17
Cash surrender Value Life Insurance			10,944.00
Refund of Federal and State Taxes			25,297.34
INVESTMENTS			
The Monotype Corporation Ltd., England (at cost) (Approximate Market Value $694,341.67)			400,000.00
INVESTMENTS IN AND ADVANCES TO WHOLLY-OWNED FOREIGN SUBSIDIARIES			
Securities of Subsidiaries (at cost)		68,046.77	
Advances to Subsidiaries		249,492.47	
		317,539.24	
Less: Reserve for possible Losses		75,000.00	
			242,539.24
FIXED ASSETS (at cost)			
Real Estate and Buildings		649,468.66	
Machinery and Equipment		2,840,039.55	
Furniture and Fixtures		80,027.25	
		3,569,535.46	
Less: Reserve for Depreciation		2,740,294.11	
			829,241.35
DEFERRED CHARGES			22,919.19
TOTAL ASSETS			$ 6,252,189.28
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable, Trade Creditors		$ 19,986.49	
Customers' Credit Balances in Accounts Receivable		14,541.84	
Renegotiation Refund (Fiscal Year ended February 28, 1945)		95,782.06	
Accrued Pay Roll, Commissions and Royalties		25,631.74	
Unclaimed Dividends Payable		3,414.86	
Due Monotype Welfare Fund		750.00	
Due Employees for Purchase of U. S. Government Bonds		2,126.18	
Reserve for Taxes and Renegotiation	$ 534,875.82		
Less: Tax Anticipation Notes	100,000.00		
		434,875.82	
Advance Payments on Sales Contracts		28,524.61	
TOTAL CURRENT LIABILITIES			$ 625,633.60
RESERVE FOR CONTINGENCIES			202,841.11
CAPITAL AND SURPLUS			
CAPITAL STOCK (Authorized 300,000 Shares of $5.00 Par Value)			
Issued 300,000 Shares		1,500,000.00	
Less, In Treasury 49,537 Shares		247,685.00	
250,463 Shares		1,252,315.00	
CAPITAL SURPLUS		565,911.93	
EARNED SURPLUS		3,605,487.64	
TOTAL CAPITAL AND SURPLUS			5,423,714.57
TOTAL LIABILITIES, CAPITAL AND SURPLUS			$ 6,252,189.28

Income, Earned and Capital Surplus Accounts of Lanston Monotype Machine Co.

INCOME ACCOUNT

FOR THE YEAR ENDED FEBRUARY 28, 1946

Gross Profit for Fiscal Year	$ 1,050,007.51
Less: Administrative and Selling Expense	424,083.73
Gain from Operations after provisions for miscellaneous taxes $57,619.57, depreciation $58,491.29	625,923.78
Add: Interest and Returns from Investments	45,336.76
	671,260.54
Less: Loss on Liquidation of Domestic Subsidiary	17,088.79
Income before provision for Federal and Pennsylvania Income Taxes and Renegotiation	654,171.75
Provision for Income Taxes and Renegotiation	400,000.00
Net Income for the Year transferred to Earned Surplus	$ 254,171.75

EARNED SURPLUS ACCOUNT

Balance, March 1, 1945		$ 3,292,759.04
Add: Balance transferred from Income Account	$ 254,171.75	
Surplus Adjustments, Net	33,613.54	
Transfer from Reserve for Contingencies	238,276.86	
		526,062.15
		3,818,821.19
Less: Dividends Paid for the Year in Cash		213,333.55
Balance, February 28, 1946		$ 3,605,487.64

CAPITAL SURPLUS ACCOUNT

Balance, March 1, 1945	$ 570,883.93
Less: Proportionate part of premium paid, over par value, for Treasury Stock acquired	4,972.00
Balance, February 28, 1946	$ 565,911.93

NOTES TO STATEMENTS

INVENTORIES: The inventories are valued at cost or market, whichever lower, and market is based on current selling prices. Included in the Inventory are items in excess of one year's normal customer demand, based on past and present volumes of business. During the year the inventories decreased $260,069.35 due to termination of the war program.

INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES: Investments in and advances to subsidiaries and the equity and liabilities to the Parent Company as disclosed by financial statements of these subsidiaries, prepared by independent accountants, are summarized as follows:

	INVESTMENTS AND ADVANCES	EQUITY COVERING INVESTMENTS AND ADVANCES
Companhia Lanston do Brasil, S. A.	$ 215,108.13	$ 254,058.62
Monotype Company of Canada, Ltd.	102,431.11	132,349.81
	317,539.24	
Less: Reserve for possible losses	75,000.00	
	$ 242,539.24	$ 386,408.43

The reserve for possible losses has been increased from $19,568.50 to $75,000.00 to cover possible fluctuations in foreign exchange.

RESERVE FOR CONTINGENCIES: The reserve for contingencies has been decreased to $202,841.11. This amount is comprised of $150,000.00 for plant rehabilitation and $52,841.11 transferred from the reserve for doubtful accounts and notes receivable pending the return of the Company to its normal commercial operations. Concurrently $238,276.86 was transferred to earned surplus account, which represented accumulations from prior years, not now considered necessary.

SURPLUS ADJUSTMENTS, NET: These adjustments reflect the following: An increase in net profits for the prior year, resulting from certain war contracts being considered completed therein in renegotiation of the Company's profits for such period; a transfer from the reserve for depreciation representing excessive depreciation taken in prior years; the increase in the reserve for possible losses in foreign subsidiaries; and the cost of the Company's stock ($25.00 par value) repurchased during the year at prices in excess of $36.30 per share.

EARNED SURPLUS ACCOUNT: At February 28, 1945, the Consolidated Earned Surplus Account as shown by prior annual report reflected a loss of $7,732.87 representing the difference between the deficit in the Domestic Subsidiary Consolidated and the reserve provided. The Domestic Subsidiary was liquidated during the year under review and the loss in liquidation of $17,088.79 in excess of the reserve provided is reflected in the current profit and loss statement, and includes the loss of $7,732.87 above mentioned.

ACCOUNTANT'S CERTIFICATE

To the Board of Directors,
Lanston Monotype Machine Company, Philadelphia 3, Penna.

We have examined the Balance Sheet of the Lanston Monotype Machine Company as at February 28, 1946, the Profit and Loss Statement and the Surplus Accounts for the year ended that date; have reviewed the system of internal control and the accounting procedures of the Company and without making a detailed audit of the transactions have examined or tested the accounting records of the Company and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards, and included all procedures which we considered necessary.

In our opinion, subject to the eventual realization of investments and advances in foreign subsidiaries which is not now determinable, the accompanying Balance Sheet and related Statements of Profit and Loss and Surplus, together with the notes forming a part thereof, present fairly the position of the Lanston Monotype Machine Company at February 28, 1946, and the results of its operations for the year ended that date in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Mathieson, Aitken & Co., *Certified Public Accountants*

May 22, 1946

The main text matter of this report is composed on the Monotype in Century Schoolbook, Series No. 420ABC. This useful member of the Century Family was originally designed for use in the printing of primary grade schoolbooks, hence its name. The easy readability of this type face has also dictated widespread use in general, commercial and book printing.

PRINTED IN U. S. A.

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FIFTY-FOURTH ANNUAL REPORT

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FOR FISCAL YEAR ENDED
FEBRUARY 28, 1947

LANSTON MONOTYPE
MACHINE COMPANY
PHILADELPHIA 3, PENNSYLVANIA

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LANSTON MONOTYPE MACHINE COMPANY

TWENTY-FOURTH AT LOCUST STREET, PHILADELPHIA 3, PENNA.

*

Manufacturers of

MONOTYPE TYPESETTING EQUIPMENT

MONOTYPE-THOMPSON TYPE-CASTING MACHINE

MONOTYPE-HUEBNER OVERHEAD CAMERA

MONOTYPE-HUEBNER PHOTO-COMPOSING MACHINE

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MONOTYPE-HUEBNER PLATE-COATING MACHINE

MONOTYPE-DIRECTOPLATE ALL-METAL CAMERA

BARRETT ADDING AND LISTING MACHINES

NOTICE

The next annual meeting of the stockholders will be held on Thursday, June 26, 1947. Formal notice of the meeting together with proxy statement and form of proxy will be mailed to each stockholder on or about May 26, 1947. The solicitation of proxies will begin on that date.

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LANSTON MONOTYPE MACHINE COMPANY

PHILADELPHIA 3, PENNA., U. S. A.

JOSEPH F. COSTELLO, *President*

STANLEY E. HAIGH
Vice-President

JOHN A. FERGUSON
Secretary

HARVEY W. MONKS
Treasurer

DAVID S. HENDRICK
Vice-President

ALLEN R. FRETZ
Assistant Secretary

ALBERT E. EDMUNDS
Assistant Treasurer

A. E. PAGOLA
Vice-President, Export Department

DIRECTORS

HARVEY D. BEST
JAMES E. COLLIFLOWER
JOSEPH F. COSTELLO
JOHN W. DRYE, JR.
DR. JOHN OLIVER LA GORCE
ELIZABETH G. HENDRICK
DAVID S. HENDRICK
DELOS J. NEEDHAM
WILLIAM E. SCHOOLEY

EXECUTIVE COMMITTEE

DAVID S. HENDRICK, *Chairman*
JAMES E. COLLIFLOWER
JOSEPH F. COSTELLO
WILLIAM E. SCHOOLEY

DISTRICT OFFICES AND MANAGERS

CHICAGO
216 W. Jackson Blvd.
JAMES H. SWEENEY, *Manager*

BOSTON
170 Summer Street
HALTON M. ERNE, *Manager*

NEW YORK
441 Lexington Avenue
RICHARD BERESFORD, *Manager*

ATLANTA
116 Spring Street, N. W.
G. WALTER LIEB, *Manager*

PHILADELPHIA
24th at Locust Street
GEORGE E. NELSON, *Manager*

PACIFIC COAST
55 New Montgomery St., San Francisco
HARRY S. ADAMS, JR., *Manager*

MONOTYPE COMPANY OF CANADA LIMITED
34 Adelaide Street W., Toronto, Ontario
H. E. MOUNSTEPHEN, *President*
STANLEY E. HAIGH, *Vice-President*
V. PARISH, *Secretary-Treasurer*

COMPANHIA LANSTON DO BRASIL, S. A.
Rua dos Arcos, No. 3, Rio de Janeiro, Brasil, S.A.
A. E. PAGOLA, *President*
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BARRETT ADDING MACHINE DIVISION
H. G. WELLS
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Assistant Mechanical Engineer

GROVER C. LODGE, *Factory Manager*

ADAM S. NAYLOR, *Chief Cost Accountant*
GEORGE H. STRYKER, *Factory Superintendent*
SOL HESS, *Art Director*
FREDERIC W. GOUDY, *Typographic Counsel*
J. I. KITCHIN, *Purchasing Agent*

Operations Report and Balance Sheet of Lanston Monotype Machine Company for the fiscal year ended February 28, 1947, approved by the Board of Directors

*

To the Stockholders:

Sales and net profit of the Company for the fiscal year ended February 28, 1947, were most gratifying for a year in which operations were not significantly affected by wartime business. Many wartime controls and regulations were continued in 1946. The year was one of transition from wartime to peacetime economy.

The continued shortages of labor, material and supplies hampered the production of replacement parts and complete equipments. Plant operation during the year was suspended for a period of three months due to a strike of the Office Employees Union.

Net earnings for the fiscal year ended February 28, 1947, after provision for Federal and State income taxes amounted to $399,837.97 (approximately $1.59 per share on the outstanding $5.00 par value stock).

A non-recurring profit of $47,105.54 resulting from the sale of fixed assets, investments, and on foreign exchange was included in the net earnings reported for the year.

The reserve for contingencies has been decreased to $94,990.93 by the transfer of $100,000.00 to the reserve for inventory price fluctuations; and $7,850.18 to the reserve for doubtful accounts.

Most satisfactory earnings were recorded for the year by our wholly owned subsidiaries, Companhia Lanston do Brasil, S. A. and Monotype Company of Canada, Limited. A heavy backlog of unfilled orders remain on the books of both subsidiaries.

Management during the year continued with its plan for plant rehabilitation. Of a cash reserve fund of $300,000.00 previously established for this purpose, $31,483.12 remained unexpended at the close of the fiscal year. The advantages derived through the purchase and installation of new machine tools has led to revision and expansion of the original plan adopted. An additional appropriation of $125.000.00 has been allocated since the close of the fiscal year and additional machine tools have since been purchased.

The backlog of orders for Monotype Equipment and parts, M-H Lithographic Equipment and Barrett Adding Machines has necessitated expanding our production facilities. Production of new machines has been somewhat retarded due to existing shortages of material and skilled labor. A slight improvement in the material and labor market during the past few months is quite noticeable. Sales for the first three months of the new year have been most satisfactory.

The increase in the wage level plus higher prices paid for purchased materials and supplies are reflected in higher costs of company products. A general increase of twenty percent on the selling prices of most products became necessary to offset the increased cost of production.

Inventories of finished parts are generally at a low level. Customer demand for repair parts and operating accessories has thus far restricted quantity deliveries of new machines.

Individual ownership of stock in our Company has increased during the past few years. Stockholders at the close of business on February 28, 1947 numbered nine hundred and twenty-three as compared to approximately seven hundred on February 28, 1945.

Our Company enjoys a position as forty-fourth on the annual roster of the New York Curb Exchange for issues of common stock with long dividend records. We are rightfully proud of the fact that dividends have been paid by our Company for thirty-seven consecutive years.

Mr. Harvey D. Best, due to condition of health, found it advisable to resign as Chairman of the Board of Directors of your Company in July, 1946. Mr. Best will continue however, to serve as a Director as well as Typographic and Printing Trade Relations Adviser of your Company.

Mr. Henry Parsons, a valued Director of your Company for many years, resigned in November, 1946. Elizabeth G. Hendrick was elected to the Board in November, 1946, to succeed Mr. Parsons.

Respectfully submitted,

JOSEPH F. COSTELLO, *President*

May 24, 1947

Lanston Monotype Machine Company
Balance Sheet at February 28, 1947

ASSETS

CURRENT ASSETS			
Cash		$ 2,425,247.50	
United States Bonds and accrued interest		741,072.13	
Accounts Receivable, Trade	$ 325,204.63		
Customers' Installment Notes Receivable maturing monthly over a period of years, accompanied by liens (including matured notes amounting to $2,643.90)	103,343.94		
Notes Receivable—Others	13,948.50		
Interest accrued on Notes	7,607.88		
	450,104.95		
Less, Reserve for Doubtful Accounts and Notes	15,000.00		
		435,104.95	
Inventories—Note A	1,211,665.69		
Less, Reserve for Inventory Price Fluctuations	100,000.00		
		1,111,665.69	
TOTAL CURRENT ASSETS			$ 4,713,090.27
Reserve Fund (In cash) for new machinery and plant rehabilitation			31,483.12
Cash Surrender Value Life Insurance			11,391.42
INVESTMENTS			
The Monotype Corporation Ltd., England (at cost) (62,497 shares, approximate Market Value $796,914.87)		400,000.00	
INVESTMENTS IN AND ADVANCES TO WHOLLY OWNED FOREIGN SUBSIDIARIES—Note B			
Securities of Subsidiaries (at cost)	68,046.77		
Advances to Subsidiaries	113,570.24		
		181,617.01	
		581,617.01	
Less, Reserve for Possible Losses		75,000.00	
			506,617.01
FIXED ASSETS (at cost)			
Real Estate and Buildings		649,468.66	
Machinery and Equipment		2,882,763.24	
Furniture and Fixtures		82,503.96	
		3,614,735.86	
Less, Reserve for Depreciation		2,700,202.92	
			914,532.94
DEFERRED CHARGES			31,627.99
			$ 6,208,742.75

LIABILITIES

CURRENT LIABILITIES			
Accounts Payable, Trade Creditors		$ 21,970.49	
Customers' Credit Balances in Accounts Receivable		8,588.34	
Accrued Pay Roll, Commissions and Royalties		28,603.19	
Unclaimed Dividends Payable		3,345.36	
Due Employees for Purchase of U. S. Government Bonds		907.27	
Reserve for Taxes and Renegotiation—Note C	444,154.95		
Less, Tax Anticipation Notes	50,000.00		
		394,154.95	
Advance Payments on Sales Contracts		88,190.98	
TOTAL CURRENT LIABILITIES			$ 545,760.58
RESERVE FOR CONTINGENCIES—Note D			94,990.93

CAPITAL AND SURPLUS

CAPITAL STOCK (Authorized 300,000 Shares of $5.00 Par Value)			
Issued	300,000 Shares	1,500,000.00	
Less, in Treasury	49,537 Shares	247,685.00	
	250,463 Shares	1,252,315.00	
CAPITAL SURPLUS		565,911.93	
EARNED SURPLUS		3,749,764.31	
TOTAL CAPITAL AND SURPLUS			5,567,991.24
TOTAL LIABILITIES, CAPITAL AND SURPLUS			$ 6,208,742.75

Income, Earned and Capital Surplus Accounts of Lanston Monotype Machine Company

INCOME ACCOUNT

FOR THE YEAR ENDED FEBRUARY 28, 1947

Gross Profit for Fiscal Year		$ 987,143.64
Less, Administrative and Selling Expense		438,958.25
Gain from Operations (after provisions for miscellaneous taxes $54,362.44, depreciation $61,892.76)		548,185.39
Add, Other Income		
Profit on Sale of Fixed Assets, Investments, and on Foreign Exchange	$ 47,105.54	
Interest and Returns from Investments	49,547.04	
		96,652.58
Income before Provision for Federal and Pennsylvania Income Taxes		644,837.97
Provision for Income Taxes		245,000.00
Net Income for the Year Transferred to Earned Surplus		$ 399,837.97

EARNED SURPLUS ACCOUNT

Balance, March 1, 1946		$ 3,605,487.64
Add, Balance Transferred from Income Account		399,837.97
		4,005,325.61
Less, Surplus Adjustments, Net—Note E	$ 5,098.30	
Dividends Paid for the Year in Cash ($1.00 per Share on 250,463 Shares)	250,463.00	
		255,561.30
Balance, February 28, 1947		$ 3,749,764.31

CAPITAL SURPLUS ACCOUNT

Balance, March 1, 1946 and February 28, 1947	$ 565,911.93

NOTES TO STATEMENTS

Note A—INVENTORIES: The inventories are valued at cost or market, whichever lower, and market is based on current selling prices. Included in Inventories are items in excess of one year's normal customer demand, based on past and present volumes of business. A Reserve for Inventory Price Fluctuations of $100,000.00 was established by the transfer of this amount from the Reserve for Contingencies.

Note B—INVESTMENTS IN AND ADVANCES TO SUBSIDIARIES: Investments in and advances to subsidiaries and the equity and liabilities to the Parent Company as disclosed by financial statements of these subsidiaries, prepared by independent accountants, are summarized as follows:

	INVESTMENTS AND ADVANCES	EQUITY COVERING INVESTMENTS AND ADVANCES
Companhia Lanston do Brasil, S. A.	$ 55,193.57	$ 132,185.36
Monotype Company of Canada, Ltd.	126,423.77	166,673.07
	$ 181,617.34	$ 298,858.43

The reserve for possible losses of $75,000.00 is considered to cover not only the investments and advances, wholly owned foreign subsidiaries, but also the investment in The Monotype Corporation Ltd., England (62,497 Shares owned of 498,535 Shares Issued and Outstanding).

Note C—RESERVE FOR TAXES AND RENEGOTIATION: Composed of an estimated provision for renegotiation of the Company's profits on war contracts for the fiscal year ended February 28, 1946, which were in process of renegotiation and not as yet completed; provision for Federal and State Income Taxes on profits of the Company for the year ended February 28, 1947, current State Franchise, and State and Federal Social Security Taxes.

Note D—RESERVE FOR CONTINGENCIES: The reserve for contingencies has been decreased to $94,990.93. This amount is composed of $50,000.00 for general contingencies and $44,990.93 transferred from the reserve for doubtful accounts and notes receivable. The reserve was decreased by transfers of $100,000.00 to the reserve for inventory price fluctuation; of $7,850.18 to the reserve for doubtful accounts and notes receivable.

Note E—SURPLUS ADJUSTMENTS, NET: These adjustments represented principally adjustments of prior years' tax provisions.

ACCOUNTANT'S CERTIFICATE

To the BOARD OF DIRECTORS,
LANSTON MONOTYPE MACHINE COMPANY, Philadelphia 3, Penna.

We have examined the Balance Sheet of LANSTON MONOTYPE MACHINE COMPANY as at February 28, 1947, the Income Account and the Surplus Accounts for the year ended that date; have reviewed the system of internal control and the accounting procedures of the Company and without making a detailed audit of the transaction have examined or tested the accounting records of the Company and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards, and included all procedures which we considered necessary.

In our opinion, subject to the eventual realization of foreign investments and advances to foreign subsidiaries which is not now determinable, the accompanying Balance Sheet and related Income Account and Surplus Accounts, together with the notes forming a part thereof, present fairly the position of LANSTON MONOTYPE MACHINE COMPANY at February 28, 1947, and the results of its operations for the year ended that date in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MATHIESON, AITKEN & CO., *Certified Public Accountants*

April 29, 1947

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